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# OrganiGram Holdings, Inc. (OGI.CA)

Q3 2025 Earnings Call

## CORPORATE PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning. My name is Christa, and I will be your conference operator today. At this time, I would like to welcome everyone to the Organigram Global Third Quarter Fiscal 2025 Earnings Conference Call. After the speakers' remarks, there will be a question-and-answer session. We ask that you please limit yourself to one question and one follow-up question. You may requeue if you have any further question.

Thank you. Max Schwartz, you may begin.

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**Max Schwartz**

*Director-Investor Relations, OrganiGram Holdings, Inc.*

Thank you, Christa, and good morning, and thanks for joining us today. As a reminder, this conference call is being recorded and a recording will be available on Organigram's website 24 hours after today's call.

Listeners should be aware that today's call will include estimates and other forward-looking information from which the company's actual results could differ. Please review the cautionary language in our press release dated August 13, 2025 on various factors, assumptions, and risks that could cause our actual results to differ.

Further reference will be made to certain non-IFRS measures during this call, including adjusted EBITDA, adjusted gross margin, adjusted gross margin percentage, and free cash flow. These measures do not have any standardized meaning under IFRS and are intended to provide additional information, and as such, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Our approach to calculating these measures may differ from other issuers, so these measures may not be directly comparable. Please see today's earnings report for more information about these measures.

Listeners should be aware that the company relies on reputable third-party providers when making certain statements relating to market share data. Unless otherwise indicated, all references to market data are sourced from Hifyre, in combination with data from Weedcrawler, provincial boards, retailers, and our internal sales figures.

Today, we will be hearing from key members of our senior leadership team, beginning with Beena Goldenberg, Chief Executive Officer, who'll provide opening remarks and commentary, followed by Greg Guyatt, Chief Financial Officer, who will review our financial results for Q3 fiscal 2025. All references to the term Q3 will indicate Q3 fiscal 2025, unless otherwise indicated. Similarly, all references to market share data will refer to Q3 performance, unless otherwise indicated.

With that, I will now introduce Beena Goldenberg, Chief Executive Officer of Organigram Global Inc. Please go ahead, Ms. Goldenberg.

## Beena G. Goldenberg

*Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

Good morning, everyone, and thank you for joining us for Organigram's Q3 fiscal 2025 earnings call. We are pleased to report another record-breaking quarter in both gross and net revenue, reflecting continued leadership in our growing domestic market and meaningful international expansion. Today, I'll begin with an update on our Canadian business, followed by some operational highlights, and then turn to the progress in our international business. Greg will take us through the financials after that. So, let's begin.

In Q3, Canada's recreational cannabis market grew 6.6% year-over-year, reaching CAD 1.4 billion in retail sales. Organigram maintained its position as the number one licensed producer nationally, with 11.6% market share, a 2.5-point lead over our closest competitor. We continue to lead in pre-rolls and vapes, which represent more than half of total cannabis sales in Canada. In Q3, we held 20.4% of the national vape segment and 8.3% of the pre-roll segment.

In flower, representing over 30% of the market, we grew our share up to 10.6%, up 60 basis points from Q2. Our Big Bag O' Buds brand was a major contributor, ranking as the number three flower brand in June, with 5.1% of the category, while our SHRED brand dominated in milled flower with over 40% share.

SHRED remains one of the industry's top brands and the stickiest brand in Canada by repurchase rate. As of the end of June, SHRED had a 69% repurchase rate across all categories in which we participate, compared to an average industry rate of in the low-50s. Further, SHRED's performance in milled flower resulted in an impressive 81% repurchase rate over the last 10 months. This means that for every 10 SHRED milled flower purchases in June, over 8 were repeat customers, speaking to both the quality and consistency of our product.

While we maintain a top three market position in every major category, this quarter was not without some challenges, namely, the integration of Motif into Organigram's ERP system. This caused temporary disruptions to our on-time in full to our customer performance in May, particularly impacting BOXHOT sales. This resulted in a 30-basis-point decline in overall market share in Q3 versus Q2 despite sequential growth in flower, edibles, and concentrates.

Now, by mid-June, service levels normalized, and with the ERP transition now complete, we are focused on gaining share in the affected categories through improved inventory management, retail sales programs, and a strong innovation pipeline. By the end of July, we gained 40 basis points in overall market share, more than just offsetting the decline, to end the month holding 12% of the national rec market.

In edibles, the fourth largest category, we gained 50 basis points sequentially to reach 16.1% share. We recently launched SHRED Max10 Party Pack, offering 100 milligrams of THC across 10 individually wrapped gummies in one container. The response has been strong, with initial shipments selling out within two days in Alberta and B.C. As of the end of July, Organigram achieved its highest edibles market share of 18.2% in the last 12 months. We're now rolling out to additional provinces and believe this format is resonating with consumers who previously turned to the illicit market for higher THC per package products.

Now, while we're on the topic of ingestible formats, our Collective Project and Fetch beverages are beginning to show some post-acquisition growth, as of the end of June, with 20 and 30 basis points of growth, respectively, versus the prior month. As of the end of June, we held a 6.2% share of the beverage market. Despite beverages being a relatively small category today, we remain bullish on the long-term opportunity, especially given the ongoing momentum of the category, not only in Canada, but in the US as well.

In the US, the hemp-derived cannabis beverage segment has seen explosive growth, driven by the proliferation of unique products, and most importantly, retail access that's convenient for beverage consumers, that is in traditional retail locations that also carry alcohol products. Here in Canada, we are already seeing some tailwinds for the category, with more and more provinces indicating a willingness to embrace favorable regulations towards cannabis beverages.

Notably, Alberta, which now allows sales at festivals and events by licensed retailers within 18-plus zones, and British Columbia, which is actively consulting on a framework to permit event-based sales. New Brunswick has signed a desire to encourage category growth and conversion with – sorry, New Brunswick has signaled a desire to encourage category growth and conversion, with the Minister responsible for Cannabis New Brunswick and Economic Development, publicly stating that he envisions a wine region approach to cannabis to boost tourism in the province. As well, Cannabis New Brunswick's strategic plan commits to exploring on-site consumption opportunities for cannabis beverages, and the province is exploring a pilot model for co-locating cannabis and alcohol beverages in what they are calling a Category three store format.

Manitoba has also shown early signs of interest in identifying regulatory opportunities to support sector growth, and we are encouraged by preliminary discussions that suggest a willingness to explore pathways for this category. While Ontario and other jurisdictions have not yet made public moves in this space, interest in the broader category growth continues to build nationally.

Recently, we maintain a number one market share position in Western, Central and Atlantic Canada, including Ontario, Alberta, and B.C., the country's three largest markets. In Québec, we remain as number four, and we expect further gains upon the launch of vapes in the fall, where we secured multiple new listings.

So, to summarize, in Q3, we maintained our number one overall market share by a wide margin, expanded that margin in July, and held the number one positions in vapes, pre-rolls and concentrates, as well as top three positions in flower and edibles. Honorable mention goes to our number four position in our growing beverage business. And with that, I'll turn to operational update.

Organigram operates five specialized and highly advanced facilities across Canada, covering every major product category and serving medical flower markets internationally. In Q3, we harvested over 24,000 kilograms at our Moncton facility alone, a 15% increase over Q2 and a company record. This growth is a direct result of our continued optimization efforts.

54 grow rooms were upgraded with higher intensity LED lighting in Q3, with another 20 rooms scheduled for completion in the fall. This is expected to increase annual capacity up to 7,000 kilograms. Once complete, all 144 of our grow rooms will be equipped with high intensity LED lights.

Additional nutrient optimizations and improved grow room utilization are expected to add another 7,300 kilograms in combined annual capacity. So, in total, we have added over 14,000 kilograms of annual capacity. Due to these capacity enhancements, we are reevaluating the previously disclosed CAD 8 million CapEx investments and timing related to grow room expansion. Average THC across our entire Moncton facility during Q3 exceeded 29%, a new record, demonstrating our ability to achieve facility-wide, high-potency cannabis at commercial scale.

To round out our portfolio, we are expanding our offerings in the higher margin premium segment and launch new limited run 14 gram Trailblazer SKUs in B.C., a market that demands premium cannabis. Early consumer response has been excellent, and we expect strong future potential for this craft-inspired approach alongside our core Big Bag O' Buds and SHRED flower portfolios.

In Winnipeg, we will begin the commissioning phase of our new beverage production line this September. This will give us the flexibility to trial new formulations, including novel emulsions and fast-acting formats, while continuing to rely on our co-manufacturing partners for larger scale run. Our Winnipeg facility is evolving into a manufacturing hub for commercialization of our ingestible innovation.

Turning to our Ontario operations and the continued integration of Motif. At our Aylmer facility, expansion of hydrocarbon extraction capacity is nearly complete and is expected to be finalized later this month. Once operational, this expansion will boost hydrocarbon capacity by approximately 87% and is expected to reduce COGS by up to CAD 2.7 million for key products.

In May, we moved vape filling from Moncton to Aylmer, capturing scale efficiencies and streamlining operations. Biomass transfers from Moncton to Aylmer, which began in February, are projected to save CAD 1.4 million annually as we lower Motif's dependence on B2B biomass purchases.

In May, we introduced dry infusion in various IPR products in Aylmer. Dry infusion is a beneficial process that leverages our hydrocarbon extraction expertise, and also acts as a flavor and potency carrier without changing the consistency of the biomass. This has allowed more of our products to be produced in-house on internal equipment, reducing Motif's reliance on third-party manufacturers.

And finally, our London distribution center CapEx project is scheduled for completion in the fall. It's expected to improve our [ph] OTIP (00:24:02) service rate, unlock additional capacity optionality at the Moncton facility and reduce freight costs, driving an estimated CAD 3.4 million in annual savings.

With these operational initiatives and SG&A savings, we have already realized synergies of CAD 4.2 million, or approximately CAD 11 million on an annualized basis, which will begin flowing through our P&L in the next six months. We remain on track to meet the previously disclosed CAD 15 million synergy target from the Motif acquisition.

International expansion remains a key pillar of our strategy. In Q3, we delivered CAD 7.4 million in international revenue, a 208% year-over-year increase and a 21% sequential increase. This growth is being driven primarily by exports to Germany, alongside contributions from Australia and the UK. Our growing flower presence in Germany is supported by the supply agreement negotiated as part of our CAD 21 million investment in German cannabis leader, Sanity Group.

To bolster our expanding international footprint, we established a dedicated international business unit in Q3, including personnel in the US and Australia. Our hemp-derived beverage portfolio is just beginning to gain attention from US consumers. Collective Project beverages are now available in 25 states through a mix of our newly launched direct-to-consumer website, [www.collectiveproject.ca](http://www.collectiveproject.ca), and retail channels, including leading chains, like Top Ten Liquors, Total Wine & More.

We've expanded our portfolio from two to nine SKUs, and now offer a lineup of sparkling juices, sparkling lemonade, and Fetch, a sugar-free soda wine that provides budget-friendly beverages with classic flavors like cream soda, cola and lemon wine.

For Australia, we've completed sensory trials on the first three [ph] vape fills (00:26:08) that we plan to launch into their medical market, and are finalizing our first shipment of raw materials to begin co-manufacturing vapes with a local partner this fall. This will be our first branded vape entry into Australia, and we plan to bring additional brands and products into the market next year. We also signed a new supply agreement with an Australian partner focused on THCV, leveraging our strategic investment in Phylos and our proprietary genetics.

In Q3, we completed our first international shipment of a seed-based cultivar that has experienced large scale success in Canada. This shipment represents an important step in demonstrating the scalability and quality of our seed-based approach to global partners. Approximately 27% of Moncton's harvest was seed-based in Q3, which contributes to lower production costs in the long – and in the long-term, more stable genetics and consistent output, all essential attributes for international medical markets.

We believe international revenue growth will be bolstered by our pending EU-GMP certification. We are awaiting confirmation from the regulator as to next steps required prior to certification. Once granted, we expect to see an increase in both volume and margin from our international flower exports. Lastly, we continue to evaluate a pipeline of strategic international investment opportunities related to our Jupiter Investment Pool, which currently has CAD 59 million available to deploy.

So, to summarize, we have a number of strong initiatives underway on capacity, margin expansion, and international growth. Our approach remains focused on balancing the strength of our domestic business, anchored by reliable consistent brands with the opportunities we see internationally. While we experienced some challenges related to the integration of Motif in the quarter, our market share gains in July, expected synergies, and growing international footprint give us confidence that our long-term trajectory remains very strong.

And with that, I'll turn it over to Greg to walk you through the financials.

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## Greg Guyatt

*Chief Financial Officer, OrganiGram Holdings, Inc.*

Thanks, Beena, and thank you to everyone for joining us today. We are pleased to once again report record revenue results with significant year-over-year and sequential adjusted EBITDA growth, and we remain confident in our path forward consistently delivering profitable quarters.

In Q3, gross sales increased 73% year-over-year and 7.2% sequentially to reach a record CAD 110.2 million. Net revenue was also our highest-ever, growing 72% year-over-year and 7.9% sequentially to CAD 70.8 million. These results were driven by contributions from our Motif and Collective Project acquisitions, and leveraging market growth and seasonality with the strength of our brands, nation-wide distribution, and broad category presence.



Our international business also continues to scale, growing to CAD 7.4 million in the quarter, a 208% year-over-year increase and a 21% increase sequentially. We expect both our domestic and international businesses to continue expanding in the coming quarters.

As Beena mentioned, with the interruption in our [ph] OTIP (00:29:30) level from the Motif brands restored in June, we are already recapturing market share. We expect further gains driven by the introduction of vapes in Québec, momentum in edibles, and innovations in pre-rolls and flower to drive domestic performance.

On the international front, we've seen no slowdown in demand and have actively pursued capacity expansion projects to balance servicing our domestic consumers, while we grow flower exports, and soon, more branded derivative product sales abroad. Growth in this area is expected to have a margin-enhancing effect, but we remain steady and cautious about shifting too much of our supply to international markets at the cost of our domestic brands.

We expect larger international flower volumes to ship in Q4 and beyond, and we will manage this growth sustainably. That's what we are known for and that's one of the ways we are continuing to build a stable business in existing markets.

Outside of international flower, we're just getting started with branded products. Our US beverage business began contributing to revenue this quarter, and we are anticipating expansion in branded international sales in fiscal 2026. That covers net revenue for the quarter and our expectations moving forward.

Now, let's discuss how it flow through the P&L. Adjusted gross margin for the quarter in dollar terms increased to CAD 24.2 million versus CAD 14.6 million in Q3 last year due to the higher revenue base. Adjusted gross margin rate decreased approximately 200 basis points to 34% compared to the prior period, which was up about 100 points – basis points sequentially. The primary driver for the year-over-year decline in margin percentage was the temporary drag from Motif as synergies are yet to flow meaningfully through the consolidated P&L.

While Organigram standalone adjusted gross profit margin was approximately 37% in the quarter, Motif came in at 29%, driven by a 200-basis-point margin impact from external white label brands, which continues to be accretive for us and round out our capacity utilization. Also contributing to the extraction margins was an increase in the cost of biomass due to current supply and demand dynamics, partially offset by internal sourcing of biomass from our Moncton facility. As stated in prior disclosures, we are forecasting adjusted gross margin to average approximately 35% for fiscal 2025, and expect adjusted gross margin percentage to approach 40% in the second half of next year, fiscal 2026.

G&A costs in the quarter increased sequentially to CAD 15.7 million from CAD 15 million in Q2. The increase was primarily attributable to an incremental investment in our ERP enhancement project versus the previous quarter, as well as the integration of Motif into Organigram's infrastructure. As a proportion of net revenue, G&A costs represented roughly 22% of net revenue in Q3, flat both sequentially and year-over-year. We expect the latest phase of our ERP project to be completed in the first quarter of fiscal 2026.

Selling costs for the quarter, including marketing, were CAD 8.8 million versus CAD 7.5 million last quarter. The increase was attributable to higher advertising and promotional expenses, in line with industry seasonality. As a percentage of net revenues, selling and marketing expenses increased 1% sequentially to 12.4% and remained flat year-over-year.

Total operating expenses for the quarter increased 8.5% to CAD 28.2 million from CAD 26 million in the prior quarter, representing approximately 40% of net revenue in both periods. Compared to the prior year, total operating expenses as a percentage of net revenue decreased by roughly 5%, primarily due to proportionally lower wages and benefits. We expect operating expenses to decrease as a percentage of net revenue in the coming quarters as we grow revenue, manage costs, and realize the synergies from our acquisitions.

Adjusted EBITDA in the quarter was CAD 5.7 million compared to CAD 3.5 million in the prior year period and CAD 4.9 million in Q2. This year-over-year increase of 64% was primarily due to higher international sales, higher recreational net revenue, and increased operational efficiency. With CAD 12.1 million in adjusted EBITDA in the first nine months of fiscal 2025, we have already outperformed the CAD 8.4 million we achieved in the full year 2024 by 44%.

Net loss for the quarter was CAD 6.3 million compared to net income of CAD 2.8 million in the prior year period. The largest contributing factor in both periods was the noncash change in the fair value of derivative liabilities, primarily associated with BAT's top-up rights and the issuance of preferred shares associated with their follow-on investment.

From a cash flow perspective, cash flow from operations was CAD 14.6 million in the quarter compared to cash used of CAD 3.7 million in the prior year period. The change was primarily driven by improvements in working capital associated with normal seasonality as well as the benefit from aligning Motif's excise tax payment timing to quarterly versus monthly.

We have previously discussed our forecast of positive cash flow before changes in net working capital, which we expect to achieve for Q4. For the year, we expect cash flow before working capital to be at or around breakeven level and positive after working capital changes.

Now that our business is becoming more stable, we are shifting our focus to free cash flow, being cash flow from operations less capital expenditures. In Q3, we generated free cash flow of CAD 5 million and expect to generate positive free cash flow in Q4 and throughout fiscal 2026.

On the topic of cash, we continue to maintain a strong balance sheet and remain comfortable that our liquidity is sufficient to achieve our near- to mid-term growth objectives and deliver consistently profitable operations in the coming quarters. As of quarter end, we had total cash and short-term investments position of CAD 85.9 million, of which CAD 35.9 million was unrestricted. The Jupiter Pool has CAD 59 million available for international strategic investments, of which CAD 10 million is now temporarily unrestricted to provide additional working capital flexibility to the company.

With that, I will turn the call back to Beena.

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## Beena G. Goldenberg

*Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

Thank you, Greg. As we conclude today's call, I want to express my deep gratitude to everyone who has supported Organigram's journey, our shareholders, customers, employees, and industry partners. Together, we have demonstrated what's possible and building sustainable, well-regulated cannabis industry that drives economic growth, creates jobs, and provides a safer alternative to the illicit market.

On a personal note, as many of you know, I'll be retiring near the end of the year. It's been a true privilege to work alongside such an exceptional team and to witness this company's remarkable progress over the past four years.



I remain extremely optimistic about Organigram's future. Our strong sales execution, operational performance, ongoing efficiency improvements and leadership in industry advocacy position us well for continued success.

Canada has a unique opportunity to set the global standard for the cannabis sector, and I'm confident that Organigram is on the right path to capitalize on this potential. Thank you all for your continued support and confidence in our vision.

And with that, I'll now open the call for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Frederico Gomes with ATB Capital Markets. Please go ahead.

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**Frederico Gomes**

*Analyst, ATB Capital Markets, Inc.*

Q

Hi. Good morning. Thanks for taking my questions. I guess, the first question on your adjusted gross margins, and I guess, the outlook here. I guess, you're still expecting full year adjusted gross margin to be in that 35% range. It does seem to imply a significant, I guess, expansion in Q4. So, could you just talk about that, the drivers behind that, and how confident you are in reaching that gross margin expansion? Thank you.

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**Greg Guyatt**

*Chief Financial Officer, OrganiGram Holdings, Inc.*

A

Sure. That's right. We're continuing to forecast 35% approximately average for the year, and it's really driven by a couple of things. One is the normal seasonality of our business, we expect to drive more throughput in the fourth quarter. We're also going to be starting to realize some of the synergies from the Motif acquisition as well. We've realized about CAD 4 million year-to-date so far, but a good chunk of that is actually still sitting in inventory, because it's production related. So, we'll see some of that starting to flow through in the fourth quarter as well into Q1 of next year.

Also, product mix plays a role. We're continuing to increase our international business, which has a positive impact on margins. And also starting to realize some of the benefits from the capacity enhancement projects in Moncton. I think, the really important point here, as we go into next year, our scale is going to continue to improve. And as I mentioned, we're really expecting margins to start to ramp up in the back half of next year, starting to approach that 40% level. So, ultimately, driven by cost improvements, lower cost per gram, and some of the capacity enhancement projects that we mentioned about really affecting our Moncton facility.

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**Frederico Gomes**

*Analyst, ATB Capital Markets, Inc.*

Q

Got it. Thanks for that, Greg. I guess, the second question, just if you could talk about how you are looking at your cultivation capacity right now, because I know that you made some improvements there. At the same time, I think, Beena, you mentioned that you are reevaluating some previous plans to invest in CapEx there. At the same time, I guess, we're seeing an improvement in prices in Canada and then strong international demand. So, how do you balance that and how are you looking at that right now? Thank you.

**Beena G. Goldenberg***Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

A

Yeah. Sure. So, listen, there is growing international demand, and as we constantly say, we're balancing that demand between what we need for our domestic market and what we need for international markets. So, we've done some capacity expansion projects that have generated an additional 14,000 kilograms for us – for as we look forward next year.

Clearly, there's opportunity to add more, but what we said last quarter was we were going to invest CAD 8 million in adding nine grow rooms to our Moncton facility. And at this point, we're reevaluating that investment to figure out the best use of the space that becomes available once our London distribution warehouse gets up and running, we'll have space in Moncton, and we're not sure if it's fully growing capacity or if it's drying capacity. So, we're still working through deciding what is the optimum increase that we require to capitalize on international opportunities.

But it's clear, there is opportunity to sell more flower and we're going to look at the most cost effective way to generate more kilograms, so that we could take advantage of the growing international market and not walk away from the domestic market. So, it's an ongoing project. We're pretty happy with the fact that we were able to, just through optimization projects, get an extra 14,000 kilos out of our Moncton facility. We're also getting a few more kilos out of our Lac-Supérieur facility. So, this is an ongoing project to take advantage of our current assets, sweat those assets, and decide how to optimize them further.

**Frederico Gomes***Analyst, ATB Capital Markets, Inc.*

Q

Thank you. Appreciate that, and best of luck in your retirement, Beena. Thank you.

**Beena G. Goldenberg***Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

A

Yeah. Thank you.

**Operator:** Your next question comes from the line of Aaron Grey with Alliance Global Partners. Please go ahead.

**Aaron Grey***Analyst, A.G.P. / Alliance Global Partners LLC*

Q

Hi. Good morning and thank you very much for the questions. So, want to piggyback off that last question from Fred a bit. So, speaking specifically to the international opportunities, you did mention, with the GMP certificate as you guys are still waiting. So, first, if you can give some expected timing on that, because it seems like it's been delayed from what we were expecting before.

And then, second, regarding the increase in volume that you expect that you could achieve from that, could you maybe help us to kind of quantify how much of a lift we could expect there? How much revenue are you currently leaving on the table now or isn't as appealing because not as proper right now, because you're going through the middlemen that will become more appealing once you receive the certificate? So, any color on that would be appreciated as we might build some – expect some type of step change with international once you get the GMP? Thanks.

**Beena G. Goldenberg**

*Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

A

Yeah. Thanks. Thanks for your question, Aaron. So, here's the story. Listen, we would have liked to have already received our EU-GMP certification, but when you're dealing with a regulatory authority, we don't control the timing of the process or how quickly they get to follow-up questions. We're certainly responding as questions are coming up.

This is perhaps some speculation on our part, but clearly, there was an issue in Portugal with some of the GMP hubs that were closed, because of lack of GMP compliance. And we think right now, the German regulators are just being that much more careful on compliance and granting the certification. We remain confident that we'll achieve this certification. So, it's not a question, but timing is – it will happen – as soon as it happens, I'm sure, we'll let everybody know.

So, what does that mean? Certainly, once we get the GMP certification, we remove the middleman, our pricing goes up, so we get a pick up on our margin on international, because [ph] it would take (00:44:29) pricing, and it actually benefits our customer, because their costs go down. So, it's a win-win for both us and the customer. It will also make sure that the product goes directly through to the customer.

So, we don't have kilograms of product comes up in Portugal waiting to be converted, and in line with many other companies products that are waiting for conversion. So, it's a quicker turnaround, flow through without delays. So, it will allow us to get product out to the customers much more quickly. So, you get the bump in pricing and that will just be a benefit on the margin side.

In terms of additional demand, there's certainly international demand and it is, obviously, higher margin business today even without the GMP certification versus our domestic business, but it's a balance, right. We don't want to walk away from our branded business. We have a growing Big Bag O' Buds brand in Canada that is attracting consumers and a SHRED brand that has great repurchase rate. So, we're – this is an ongoing balance, how quickly some of our peers have decided to walk away from the domestic market, we're not doing that. And so, we will continue to capitalize on every incremental kilogram of capacity we could get out of our facility. We're going to manage how to grow our international opportunity.

So, that's going to – so, does it give you clarity? I mean, we expect our international sales to continue to grow on flower. We are growing our capacity. We'll see more product going to international markets from our flower exports. But the other thing to think about is, as we start to export derivative products, so the vapes and as we look at in gummies, as we continue to grow our international business in the US on beverages, we'll see that grow, it's less related to the amount of flower we have and great opportunities for good margin business in international markets on that front as well.

**Aaron Grey**

*Analyst, A.G.P. / Alliance Global Partners LLC*

Q

Okay. Great. Really appreciate that color, Beena. Second question for me, just as we think about investment opportunities, particularly in the US, can you talk about some of the appealing investment opportunities available today? And then, how might that change in the event of federal reform by the way of rescheduling Schedule III or otherwise, as obviously there's been a number of news reports that have come out recently on that? Thank you.

**Beena G. Goldenberg**

*Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

A

Yeah. Sure. So, everybody is waiting for the reschedule to Schedule III, and when that happens, we'll see, if it – when and if it happens. But the good news is that it's indicating or it's sending a message that cannabis continues to move along the trajectory towards legalization. It's slow, it's going to take some time, but getting the US over that one hump, just opens up the whole category as being, again, a real category where investors will invest in it, they'll attract more attention. I think it will be good for overall industry. So, we're excited about that.

As to if it changes from Schedule I to Schedule III, it doesn't really change the overall legalization, right. It's still illegal on a federal basis. So, it doesn't change our ability to ship product into the US. It doesn't – so, from that perspective, we would still have the challenges with doing any kind of plant touching activity in the US with that wouldn't be compliant with our Nasdaq or TSX listing.

So, I don't think it changes our position on plant touching in the US, but we're pretty excited about what we've been doing in the US already. Not only do we see big opportunities on the beverage category and we'll continue to invest there, but we've really seen some great results out of our relationship with Phylos, our investment there in terms of the seed-based, working on some other really interesting cultivars and genetics that will help us really drive both yields and the aromas we want. And so, that continues to work. So, we're pretty excited about continuing to focus on the genetics side as well.

So, the US is interesting, but I would say, in the short-term, our M&A focus will be on international markets, because as – they're legal on the medical front and they just open up more opportunities for us. So, in the short-term, I think that's the bigger focus for us, while we capitalize on our existing investments in the US market.

**Aaron Grey**

*Analyst, A.G.P. / Alliance Global Partners LLC*

Q

Okay. Great. Appreciate that commentary. That's helpful. Also want to wish you the best of luck going forward, and I'll go and jump back into the queue.

**Beena G. Goldenberg**

*Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

A

Thank you.

**Operator:** And that concludes our question-and-answer session. And I will now turn the conference back over to Beena Goldenberg for closing comments.

**Beena G. Goldenberg**

*Chief Executive Officer & Director, OrganiGram Holdings, Inc.*

So, thank you, everybody, for joining our call today. It will be my last earnings call, so I do appreciate the support you've given me, and the opportunity to talk to our investors and our – people that are interested in what Organigram journey is all about. I know the business will be in good hands as we move forward. So, thank you again for joining us today. Have a good one.

**Operator:** Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation and you may now disconnect.

Disclaimer

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